



U.S. Department of Housing and Urban Development
Richmond Office
600 East Broad Street
Richmond, Virginia 23219

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ATTENTION: Owners and Management Agents

FROM: John M. Taylor
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SUBJECT: SPECIAL CLAIMS POLICY

VACANCY LOSS
DAMAGES
UNPAID RENT
DEBT SERVICE

Effective immediately, the Richmond office will be performing detailed Special Claims reviews. Claims must fully comply with the existing rules and regulations and include all of the required paperwork. A copy of the Special Claims Checklist we are using is also provided for your information or use if desired.

Reference: HUD Handbook 4350.3, Chapter 6, 6-11-35, Appendices 28, 29, 30 and 31

FORMS:

HUD 52670-A Part II, Schedule of Section 8 Special Claims
HUD 52671-A Section 8 Special Claims for Unpaid Rent/Damages
HUD 52671-B Section 8 Special Claims for Vacancies During Rent-Up
HUD 52671-C Section 8 Special Claims for Regular Vacancies
HUD 52671-D Section 8 Special Claims for Debt Service

VACANCY LOSS

Rent-Up Vacancy Claims

Vacancy Claims During Rent-Up are applicable to all Section 8 Housing Assistance Payments Contracts (HAP) or project Rental Assistance Contracts (PRAC) projects as they are completed and given permission to Occupy. Owner/management agent is required to diligently commence marketing NOT FEWER THAN 90 DAYS in advance of the anticipated date of initial occupancy and in strict accordance with their HUD approved Affirmative Fair Housing Marketing Plan. All feasible actions must be taken and continue to be taken to fill the vacancies, including, but not limited to, contacting any applicants on the waiting list and advertising the

availability of apartments in accordance with Fair Housing and Equal Opportunity Requirements. Refer to HUD Handbook 4350.3, paragraph 6-23.

Section 8 Vacancy Claims for Section 8 HAP contract are based on 80% of the contract rent; PRAC's are limited to 50% of a unit's current HUD- approved rent (operating expense amount), refer to Notice H 93-67 issued September 10, 1993 for further instructions. The claim period begins on the effective date of the contract (or 90 days after the documented commencement of marketing, whichever is later), cannot exceed 60 days and is calculated as follows: contract Rent divided by 30 x actual days of vacancy x 50% for PRAC or 80% for HAP, rounded to the nearest dollar.

The following documentation must be submitted when requesting Vacancies During Rent-Up:

HUD Form 52670-A, Part II

HUD 52671-B, listing all units with names of tenant moving in and actual move-in dates

Letter certifying the date marketing commenced and the description (to include copies) of all outreach methods used to establish and maintain the waiting list, example; advertisements, letters/fliers to agencies, churches and other organizations used by the owner/management agent, as required by the Affirmative Fair Housing Marketing Plan.

Waiting list for each bedroom size to include the dates applications were received and approved.

Certification of compliance with the Special Eligibility Requirements stated in HUD Handbook 4350.3, Chapter 6, paragraph 6-23A-E.

List of units as required by paragraph 6-23E.

Regular Vacancies

The purpose of vacancy loss is to provide a project with additional funds when there is an actual non-availability of persons eligible to move into a vacated unit. It is NOT to subsidize a unit while project management is processing a tenant certification to verify eligibility.

Vacancy Loss Claims for Regular Vacancies will be denied for failure to comply with 24 CFR 880.611 © (2) and HUD Handbook 4350.3, Paragraph 6-32.B., page 6-14 which states "notified HUD or the Contract Administrator immediately upon learning of the vacancy, and the reasons for it..." In addition, a unit should be re-rented within 30 days. Aggressive marketing and an up-to-date waiting list must be established and maintained.

The unit must be (1) Under the applicable Section 8 contract, (2) in decent, safe, and sanitary condition, (3) available for occupancy during the vacancy period in which the payment is claimed (i.e. rent ready). The claim should be submitted only after the claim period has ended, and cannot be claimed when the owner has received moneys from other sources, such as

forfeited security deposits. The claim period cannot exceed 60 days. Note : Specific Eligibility Requirements at paragraph 6-32.

Projects appear to be waiting until they receive notices to vacate or until the unit is ready for occupancy before contacting the top applicants on their Federal Preference (if applicable) and/or regular waiting lists, screening and beginning the certification process. If this is true, this is a long inefficient process which does not keep units occupied. Projects should identify their top applicants on waiting lists. Projects should determine the average annual turnover rate and **at all times have the top 3 or 4 applicants for each bedroom size totally verified and ready to move at the earliest time after being notified.**

HUD Handbook 4350.3, page 3-16, paragraph 3-20, states that verifications are good for 90 days with an additional 30 days, contingent on orally updated documentation. These top three or four applicants on your waiting lists (for each bedroom size) should be certified ready for occupancy and placed in a file marked **“READY FOR MOVE-IN.”** This process allows tenants awareness that they are at the top of the waiting list and it is time to make arrangements for a move. Because management should be given 30 days notice, management has time to ready the unit and give a fairly accurate date for an **“approved”** applicant to move in.

Before this office will consider paying questionably high Special Claims, we have determined that vacancy loss claims for more than **30 days** must be supported by the following documentation evidencing the events which caused the additional days: (1) Copies of your waiting list showing dates applicants were contacted, (2) documentation of all feasible outreach methods used to fill the vacancies such as fliers, newspaper advertisements, letters to agencies, churches and other organizations, etc., (3) a statement of the number of pre-approved “ready for move-in” applications. The Notification of Vacancy must also be attached to the HUD-52671-C.

Waiting lists must be current. We suggest **updating it at least annually, or more often**, depending on the project’s particular circumstances, ensuring contact with each applicant and their continued desire to remain on the waiting list.

It is suggested that you establish a **“Waiting List Policy”**, describing how often applicant must contact management in order to remain active on the list, statement requiring submission of changes in their status (family size, eligibility, etc) and changes of address or phone number, method of response (call or postcard), recording process by management, how many times (perhaps 3 times) an applicant will be offered a unit before either removed or dropped to the bottom of the waiting list. A copy of the policy should be provided to each applicant. If applicants do not respond within the established time frame, make one more attempt by calling/writing, telling them they will be removed if no response by certain date; then remove them. DOCUMENT all actions taken retain copies of letters mailed and returned undeliverable, telephone calls. RETAIN applications and documents for 3 years after placing in inactive file.

If management is not maintaining a current waiting list by updating it at least annually, not advertising or otherwise attempting to maintain an adequate waiting list or not maintaining at

least 3 “ready for move- in” certifications for each bedroom size, HUD will not authorize full vacancy loss for your project.

DAMAGE CLAIMS

Damage claims often include fees for such items as legal, missing keys, lock changing, cleaning (drapes, carpet, appliances, etc.), painting, removal of garbage, etc. Legal, keys, lock changing fees are project expenses, not DAMAGES. Painting and cleaning of a unit is considered normal wear and tear in order to make a unit rent ready. Any claims for cleaning or painting costs “beyond normal wear and tear” will be considered only when supported with pictures and photocopies of original bills paid for these services to show excessive costs above “normal wear and tear”. The move-in/out unit inspection reports must also document “beyond normal wear and tear” and not simply state “dirty” or “needs cleaning”. A period of 60 days must have passed before submitting tenant damage claims. Projects that have Housing Assistance Payments (HAP) Contracts renewed under Option 405(a) of MAHRA are not permitted to submit for tenant damage claims.

UNPAID RENT CLAIMS

A period of 60 days must have passed before submission of an unpaid rent claim and reimbursement is not allowed for the period after the resident vacates the unit. The owner/management agent is required to take reasonable steps to collect any debt before billing HUD for unpaid rent/damages. The tenant is to be billed for the amount left owing and if not paid the account should be sent to a collection agency. When submitting a claim for unpaid rent you must include dated copies of tenant billing notices, any legal action (HUD does not pay for late charges, or legal charges) and security deposit disposition. It is recommended that claims be sent in for approval quarterly. Remember, all claims must be received within one year after move-out.

DEBT SERVICE CLAIMS

Please refer to HUD Handbook 4350.3, Section 6 for assistance.

Should you have any Special Claims questions, please contact Linda Adams at our toll-free number, 800-842-2610 Ext. 3854.